DOCUMENT RESUME

ED 413 469 CE 075 073

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TITLE Making Work Pay: The Real Employment Opportunities of Single Mothers' Participating in the AFDC Program.
INSTITUTION Institute for Women's Policy Research, Washington, DC.
PUB DATE 1994-02-22
NOTE 20p.; Presented at a briefing organized by the Coalition on Human Needs for Congressional staff.
PUB TYPE Opinion Papers (120)
EDRS PRICE EDRS Price MF01 Plus Postage. PC Not Available from EDRS.
DESCRIPTORS *Employed Women; *Employment Opportunities; Employment Patterns; *Mothers; National Surveys; *One Parent Family; Public Policy; Trend Analysis; *Welfare Recipients
IDENTIFIERS *Aid to Families with Dependent Children; *Welfare to Work Programs

ABSTRACT

The question of whether recipients of Aid to Families with Dependent Children (AFDC) can reasonably be expected to work full time year-round given their available employment opportunities and living conditions was examined in a ongoing study. The study used the U.S. Bureau of the Census' Survey of Income and Program Participation to develop a sample of single mothers receiving AFDC for at least 2 months out of 24 survey months. The sample, which included 1,181 women, was selected to represent 2.8 million single mothers. The study's main findings were as follows: (1) a sizable portion of AFDC recipients already work for substantial hours, combining paid employment with AFDC; (2) although they have more education, job training, and work experience than nonemployed AFDC recipients, those AFDC recipients who do work are employed in low-wage, sporadic service sector jobs; and (3) if AFDC is to be time limited, many AFDC recipients will lose an important share of their families' income. It was concluded that if AFDC is made a time-limited program, the unemployment insurance program will need to be restructured to increase current AFDC recipients' eligibility. (Appended is information about the sample population women combining work and welfare.) (MN)

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ED 413 469

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February 22, 1994

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The current Administration has pledged itself to two goals: "to end welfare as we know it" and "to make work pay" so that "no one who works full-time and has children at home should be poor anymore" (Clinton and Gore, 1992). The Administration's plan, not yet submitted to Congress, proposes to provide two-year time-limited AFDC benefits. At the end of the specified time period, those able to work will be required to obtain employment in the private sector and, as a last resort, those unable to find work will be required to participate in community works projects. To improve the economic incentive to work full-time, year-round, the Administration (with the support of Congress) has expanded the Earned Income Tax Credit (EIC) as the major policy strategy to supplement income from low-wage work. The food stamp program, another means tested public assistance program, has also been expanded.

It is crucial that in evaluating the Administration's (and other) proposed welfare reforms, we examine whether AFDC recipients will be better or worse off as a result. Numerous researchers and advocates have questioned whether AFDC recipients can reasonably be expected to work full-time, year-round given the characteristics of the low-wage jobs being generated by the economy and the onerous conditions under which impoverished single mothers must fill their child and family care responsibilities.

To evaluate welfare reform proposals that will make work pay for these women, we first need to 1) examine the employment patterns and the characteristics of the jobs available to AFDC recipients, and 2) investigate if the earnings from paid employment coupled with other proposed income supports are likely to bring these women and their families out of

poverty.

To answer these questions, I am going to present findings from an ongoing Institute for Women's Policy Research (IWPR) study which uses the U.S. Bureau of the Census' Survey of Income and Program Participation (SIPP) to generate a sample of single mothers who receive AFDC for at least two months during a 24-month period. This sample represents about 2.8 million single mothers (see Appendix for details). The study pinpoints the factors that increase the likelihood that these women will engage in paid employment; it examines the characteristics of the of the jobs available to them; and it measures the likelihood of moving their families out of poverty as a result of working at these jobs. There are three main points that emerge from this study. They are:

(1) ***A sizable portion of AFDC recipients already work for substantial hours packaging paid employment with AFDC.*** As a result, they increase their families earnings and decrease the amount received from AFDC. But the income packages they put together as a result of combining paid employment, AFDC, and income from other sources do not, in general, result in above-poverty incomes.

(2) Although they have more education, job training and work experience than non-employed AFDC recipients, ***those who do work are employed in low wage, sporadic service sector jobs.*** Many spend substantial time looking for work.

(3) ***If AFDC is to be time limited, many of these women will lose an important share of their families' income;*** a share that is not likely to be made up entirely by EIC benefits or by Unemployment Insurance. As a result, the majority will be no better off or will be worse off.

I will now elaborate on each of these points.

Packaging Work and Welfare

IWPR findings refute widespread assumptions that paid work and welfare are mutually exclusive income sources. In other words, the findings contradict the idea that

those who receive AFDC do not work. We found that:

- **The Packagers.** ***More than 4 out of 10 AFDC recipients engage in substantial hours of paid work*** (an average of 900 hours per year), either simultaneously combining income from earnings with receipt of AFDC or cycling between them (see Figure 1).

- **Characteristics of Packagers.** This group has more education (two-thirds have at least a high school diploma), more job training (about one-third have some additional job training), more work experience (they average about six years of work experience), are less likely to have a newborn baby or a toddler, and are less likely to have work-inhibiting disabilities compared to those AFDC recipients who do not engage in paid employment and are largely reliant on AFDC. They are also more likely to have access to support from other family members and to reside in a state with a low unemployment rate. However, packagers are equally likely to have a history of welfare receipt, indicating that welfare history is not a barrier to paid employment.

- **Results of Packaging.** Packaging paid employment and AFDC receipt increases family income and decreases the level of public assistance received. Yet, given the current system of regulations and earnings penalties, it is still not successful as an anti-poverty strategy. ***Families of income packagers spend an average of 16 out of 24 months in poverty.***

Characteristics of Work Patterns and Jobs Held by Packagers

The work patterns of these packagers and the characteristics of the jobs they hold are likely reflective of the kinds of opportunities available to the "more employable" AFDC recipients. Therefore, we suggest that the work patterns and job characteristics of this group represent an overly ***optimistic*** picture of the quality of employment opportunities available to the ***total*** population of recipients (including the six out of 10 who currently do not include paid employment in their income package) who would be expected to make a full transition from AFDC to paid employment under the various proposals to "end welfare as we know it." And, even this optimistic picture is not bright. We find that:

Work Patterns. Those who package paid employment with receipt of AFDC during

the two-year survey period worked for an average of 1800 hours, approximately the same number of hours as all working mothers. They held an average of 1.7 jobs (with 44 percent holding two or more jobs), for a total of 54 weeks (with their longest job lasting an average of 46 weeks). They worked at paid employment for an average of 34 hours per week. ***This suggests that when employed, the packagers are more likely to have sporadic full-time jobs rather than steady part-time jobs.*** On average, these women spent almost 4 months on layoff or looking for work (see Figure 3).

Job Characteristics. When employed, these women were most likely to be employed at low-wage jobs such as cashiers, nursing aids, food service workers, janitors and maids, and machine operators (see Table 1). ***These jobs paid an average of $4.40 per hour (in 1990 dollars).*** Food service jobs, among the most likely to be held by these women, have the shortest duration (30 weeks) and are paid close to the lowest wages ($3.73 per hour). Sales and cleaning service jobs paid slightly more ($3.94 and $4.08 respectively). Jobs in all three of these occupations were among the most likely to be worked part-time. The highest paid jobs were the white collar jobs: managerial, professional, technical, and administrative jobs at hourly wage rates ranging from $5.24 to $6.40. The blue collar jobs in precision production paid $4.38 per hour and machine operatives earned $4.65 per hour on average. Besides managerial and technical jobs, these blue collar jobs were the most likely to be worked full-time (see Table 1). ***For the 44 percent of work/welfare packagers who had more than one job, there was no evidence that job change resulted in a better job in terms of increased wages, length of employment, or likelihood of working full-time.***

These findings show that the intermittent, low-wage jobs held by AFDC recipients are not likely to allow families to escape poverty. Additional income support programs will be necessary to supplement earnings in order to "make work pay" and to ensure that working households are not poor.

Now I'd like to look at some of the current income support programs. How well will the proposed programs work?

Income Support Programs

The EIC is considered the primary policy to supplement low-wages, especially if

AFDC benefits are time-limited. ***But, unlike AFDC, EIC benefits are not received during periods of non-employment*** (or at the end of a tax year in which there was no income from work), and therefore they often will not stabilize the family-and job-based incomes of many single mothers. In contrast to EIC, Unemployment Insurance (UI) is the traditional government program for periods of unemployment. Originally designed for full-time, full-year workers facing brief temporary layoffs, in many states receipt of benefits assumes relatively high prior earnings and "involuntary" reasons for job loss (with interruptions due to child birth or family responsibilities usually considered "voluntary" quits). The findings presented below suggest that neither EIC nor UI are adequate income supplements for AFDC recipients.

- **EIC.** Preliminary IWPR estimates indicate that about 99 percent of these work/welfare packagers would qualify for EIC benefits in at least one year and that about two-thirds would qualify for an EIC benefit in two consecutive years.[1] We estimate that those who would qualify would receive an average annual benefit of about $1,550 (in 1994 dollars). This benefit level is substantially less than the average annual amount of income that this same group of work/welfare packagers currently receive from AFDC, $2,100 (Figure 4). Unless more of these women are able to obtain longer-term or higher-wage jobs, we estimate that, based on their earnings, only about 35 percent of those who qualify for an EIC benefit (and 28 percent of all packagers) would receive $2,000 or more in EIC benefits. ***Unless employment patterns change or EIC benefits are increased further at low earnings levels, an estimated 70 percent of working AFDC families would not be better off or could even be worse off if the mothers were to lose AFDC benefits as the result of time limits or other means of forcing transitions from AFDC to employment.***

- **UI.** ***Only 11 percent of the work/welfare packagers received any UI benefits, despite their substantial work effort.*** Those who did receive UI worked more intensively (more hours per week, at more jobs) and had higher average hourly

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[1] IWPR estimates of the impact of the recently expanded EIC program assume that our entire sample would exhibit the current work patterns, earnings, additional taxable income, and the number of children that are observed among the 43 percent who currently work during the two year period.

earnings: $4.86 vs $4.29. They were less likely to work in service occupations and more likely to work in clerical and administrative support jobs and as operators, handlers, and laborers. They are less likely to have had a new baby or a toddler and are more likely to be white rather than African American. They are also more likely to live in states with more UI coverage. As Figure 5 shows, for this population AFDC is equally likely to supplement income during non-work spells, and nearly one-half of these women began an AFDC spell rather than a new job when their UI benefits ended. The UI system is not designed for the substantial group of AFDC recipients who exhibit high work effort but have low and sporadic earnings.

These findings show that even under optimistic scenarios (that all AFDC recipients exhibit the work effort of the more than four out of ten recipients who currently engage in paid employment), income packages composed of intermittent, low-wage work supplemented by EIC benefits will not result in increased economic well-being for the majority of recipients. If AFDC becomes time-limited, UI would likely need to be restructured to increase eligibility.

Alternative Policies

Neither EIC nor UI provide income support for time spent out of the labor force as a result of serious illness, child birth, or the serious illness of family members. The recently passed Family and Medical Leave Act of 1993 provides only a job guarantee, not income support, during such absences. One possible program to provide income support in times of illness and family need would be to extend temporary disability insurance (TDI) as it currently exists in five states to all other states and to expand it to cover serious family emergencies. The current state programs vary in their eligibility requirements, but generally are equally as restrictive as UI programs.

Another progressive policy strategy alternative to permanently subsidizing low-wage,

short-duration jobs would focus on improving pay in low-wage jobs and reforming the low-wage labor market. Primary strategies to carry out this policy would include raising the minimum wage, encouraging collective bargaining among low wage workers, and regulating wages and benefits in part-time and contingent work. Perhaps foremost among the needed policies is a full-employment policy.

Policies such as increasing UI and/or TDI eligibility or reforming the low-wage labor market appear unlikely to be included as part of welfare reform. It is more feasible to consider reforms that encourage AFDC recipients to combine paid employment with family care responsibilities by continuing eligibility for AFDC benefits and to make the outcome more legitimate and more profitable. Two important initiatives to improve AFDC recipients' income through packaging paid employment with AFDC benefits are: 1) modifying existing earnings disregards to reduce the sharp penalties on mothers' and other family members' employment income; and 2) requiring states to continue to provide AFDC or cash assistance to part-time workers beyond the two-year time limit.

Our research shows the importance of designing programs that acknowledge both the intermittent low-wage employment and the caregiving responsibilities of single mothers. Initiatives that legitimate the packaging of paid employment with AFDC (or other cash assistance) and make it more profitable will increase the chances that these mothers and their families can escape poverty.

APPENDIX

The Sample Population of Work/Welfare Packagers

We use the 1984, 1986, 1987, and 1988 panels of the U.S. Bureau of the Census' longitudinal study, the Survey of Income and Program Participation (SIPP) to develop a sample of single mothers who received AFDC for at least two out of 24 survey months. These women were interviewed for all 24 months, were mothers for at least 12 months, and were single for at least 12 months. We further divided the resulting sample of 1,181 women (representing approximately 2.8 million AFDC recipients) into two sub-groups. The first group includes those who did not have at least 300 hours of work experience during the survey period and were largely reliant on AFDC benefits for their economic well-being. The second group contained those who included both AFDC receipt and at least 300 hours of paid employment in their income package. We refer to this second group as work/welfare packagers. We further divided these work/welfare packagers on the basis of whether they package paid employment and AFDC receipt sequentially (sequential packagers) or at the same time (simultaneous packagers) for at least four months. These work/welfare packagers represent 43 percent of the total sample--about 1.2 million women.

TABLE 1
Job and Worker Characteristics By Occupation--All Jobs*
Work/Welfare Packagers over a Two-Year Period

OCCUPATION	Total Jobs	Wage & Salary Job	Weeks	Full-Time Weeks	% of Wks Part-Time	Avg Wkly Hours	Hourly Earnings
Managerial	23	91.3%	41.5	33.5	28.0%	37.5	$5.42
Professional	34	97.1%	37.6	20.2	51.6%	29.6	6.40
Technician	11	100.0%	36.4	25.5	26.7%	37.5	6.28
Sales	117	96.6%	30.3	14.8	49.4%	31.5	3.94
Administrative	152	100.0%	31.8	19.2	37.8%	32.5	5.24
Food Service	124	100.0%	29.7	11.3	64.2%	28.5	3.73
Cleaning Service	67	92.5%	44.3	15.6	66.8%	25.1	4.08
Personal Service	66	71.2%	34.3	21.3	40.2%	32.9	2.86
Other Service	73	100.0%	38.3	26.9	35.2%	33.8	4.28
Farming, Forestry	13	92.3%	15.2	11.0	38.5%	37.4	4.00
Precision Production	25	100.0%	30.6	24.2	29.2%	34.7	4.38
Operators & Laborers	151	100.0%	33.4	25.5	24.6%	36.6	4.65
All Occupations	856	96.3%	33.6	19.7	43.0%	32.3	4.40

* The average number of jobs held by by a work/welfare packager is 1.7. These data are not weighted; each job, rather than individual, carries a weight of 1.0.

Source: IWPR calculations based on the 1984, 1986, and 1987 panels of the Survey of Income and Program Participation.

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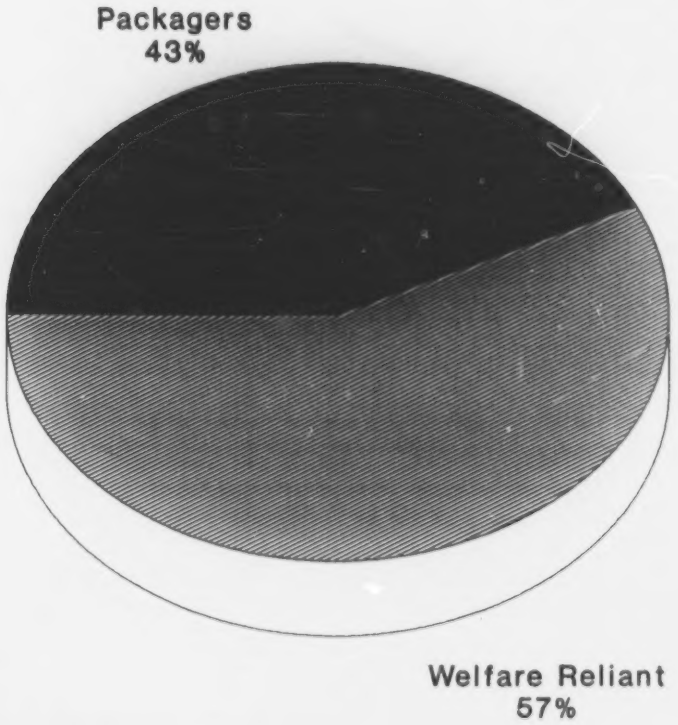
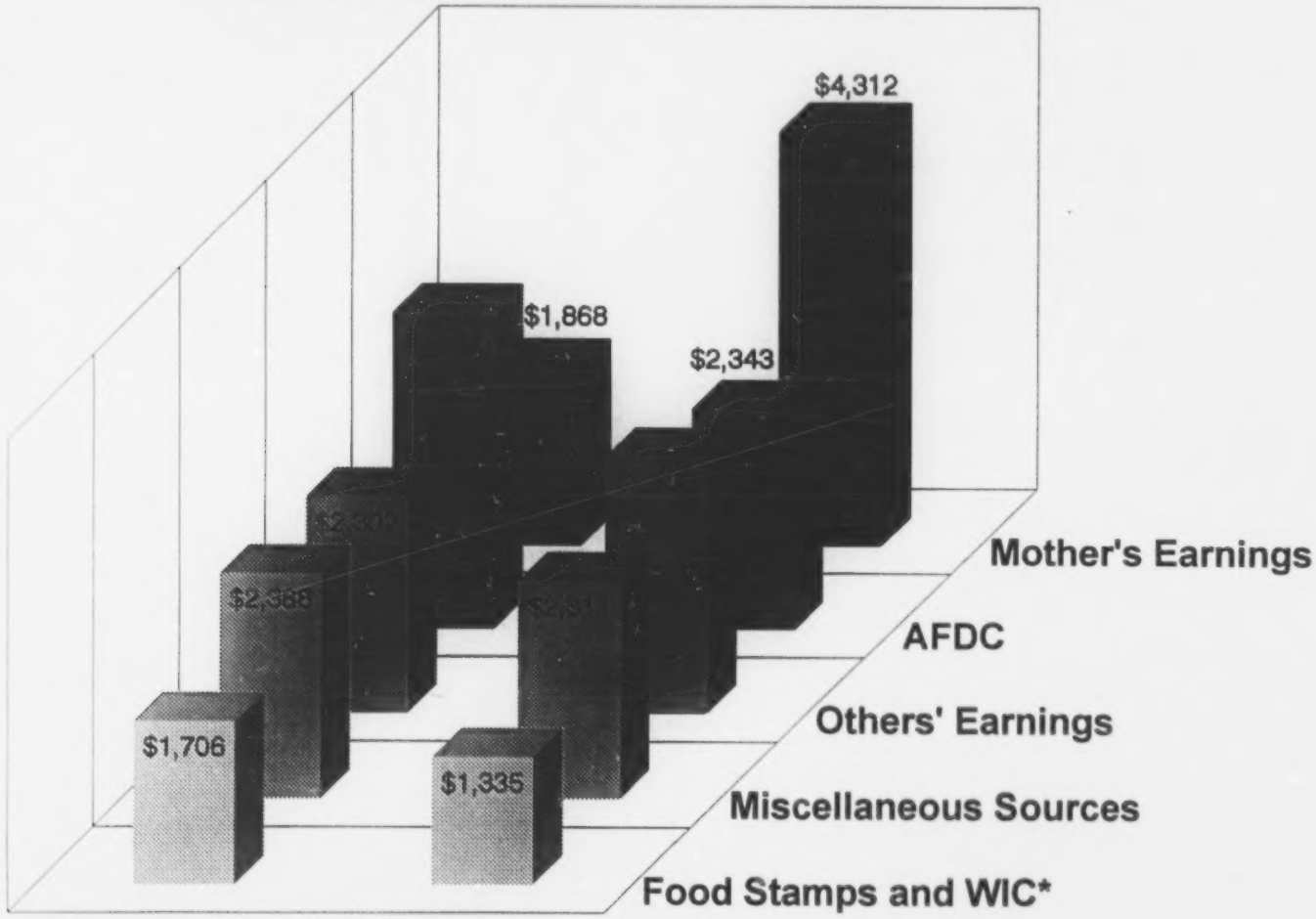
Figure 1
More than 4 out of 10 Welfare Recipients Mix Benefits with Paid Work
(2 year period)



Source: IWPR calculations based on the 1984, 1986, and 1987 panels of the Survey of Income and Program Participation.

Figure 2
Elements of the Annual Income Package



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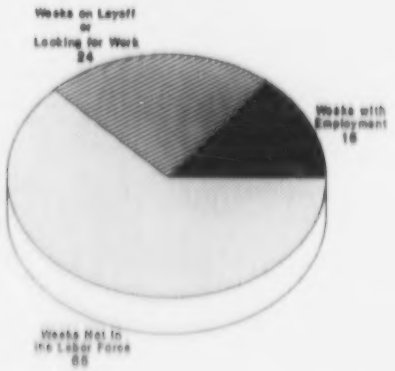
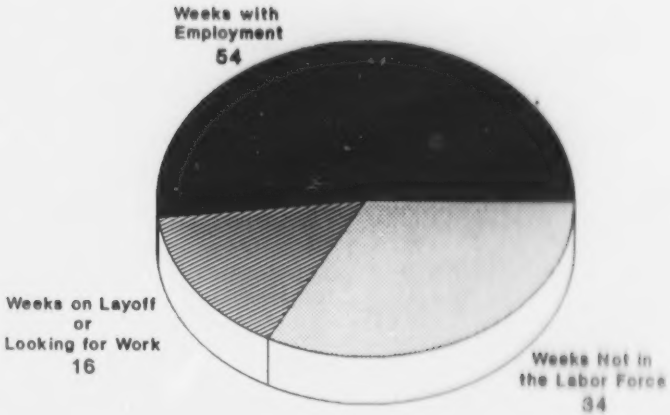
* The cash value of WIC and Food Stamps are not included in Average Annual Family Income.
Source: IWPR calcluations based on the 1986 and 1987 Survey of Income and Program Participation.

Figure 3
Labor Force Participation Patterns
(Two year period)

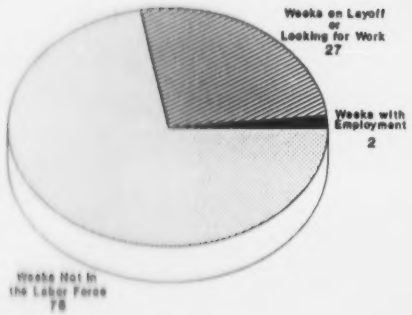
Full Sample



Work/Welfare Packagers



Welfare Reliant



Source: IWPR calculations based on the 1984, 1986, and 1987 panels of the Survey of Income and Program Participation.

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FIGURE 4
Effectiveness of EIC as a Substitute for AFDC Among Work/Welfare Packagers
1994 Dollars, 1996 Program Guidelines

◆ Estimated % of recipients who would qualify for the EIC in at least one of two years	99%
◆ Estimated % of recipients who would qualify for the EIC in two consecutive years	65%
◆ Estimated average % of recipients who would qualify for the EIC in a single year	82%
◆ Estimated average benefit for EIC qualifiers	$1,550
Estimated average % receiving more than $2,000/yr in EIC	36%
Estimated average AFDC loss for all EIC qualifiers	$2,100
◆ Estimated average benefit for all packagers (includes both qualifiers and nonqualifiers)	$1,250
Estimated average % receiving more than $2000/yr in EIC	29%
Estimated average AFDC loss for all packagers (includes both those who would and would not receive an EIC benefit)	$2,350

Source: IWPR calculations from the Survey of Income and Program Participation.

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Figure 5

Two-Year Patterns of AFDC, Work and Unemployment Benefit Spells: All Packagers with any Unemployment Benefits

Work →	UI →	AFDC					
Work →	UI →	AFDC					
Work →	UI →	AFDC					
Work →	UI/AFDC →	AFDC					
Work →	UI →	AFDC →	Work				
Work →	UI/AFDC →	AFDC →	AFDC/Work				
Work →	UI →	AFDC/Work →	Work				
Work →	UI →	UI/AFDC →	AFDC →	Work			
Work →	UI/AFDC →	AFDC →	AFDC/Work				
Work →	Work/UI →	AFDC/Work →	Work				
Work →	Work/UI →	Work →	AFDC/Work →	AFDC			
Work →	UI →	Work →	AFDC				
Work →	UI →	Work →	AFDC				
Work →	UI →	Work →	AFDC/Work →	Work			
Work →	UI →	Work →	AFDC/UI →	AFDC →	Work →	AFDC	
Work →	UI →	Work →	AFDC/Work →	Work →	AFDC →	AFDC/Work→	Work
Work →	AFDC →	Work →	UI				
Work →	AFDC →	Work →	UI				
Work →	AFDC →	Work/UI					
Work →	AFDC →	Work →	UI →	Work			
Work →	AFDC →	AFDC/Work →	AFDC/UI →	AFDC			
Work →	AFDC →	Work →	AFDC/UI →	UI →	AFDC/Work →	AFDC	
Work →	AFDC →	UI →	AFDC				
Work →	AFDC →	UI →	AFDC →	Work			
Work →	AFDC →	UI →	AFDC →	AFDC/Work			
Work →	AFDC →	UI →	Work				
Work →	AFDC →	AFDC/UI →	Work				
Work →	AFDC →	AFDC/UI →	AFDC →	AFDC/Work →	Work		
Work →	AFDC/Work →	Work →	UI →	Work/UI			
Work →	AFDC/Work →	AFDC/UI →	Work				
AFDC/Work →	Work →	UI					
AFDC/Work →	Work →	UI					
AFDC/Work →	UI →	AFDC →	AFDC/Work				
AFDC/Work →	AFDC/UI →	AFDC →	AFDC/Work				
AFDC/Work →	AFDC/UI →	AFDC/Work →	AFDC →	Work			
AFDC/Work →	AFDC →	AFDC/Work →	Work →	Work/UI			
AFDC/Work →	AFDC →	AFDC/Work →	Work →	UI			
AFDC/Work →	Work →	AFDC →	Work →	UI			
UI →	AFDC →	Work					
UI →	AFDC →	Work					
UI →	AFDC →	Work					
UI →	AFDC →	Work →	UI				
UI →	AFDC →	Work →	AFDC →	Work			
UI →	AFDC/Work →	UI					
UI/AFDC →	Work/UI →	Work					
UI →	Work →	AFDC					
UI →	Work →	AFDC →	Work →	AFDC			
UI →	Work →	AFDC/Work					
AFDC →	Work →	UI					
AFDC →	Work →	UI					
AFDC →	Work →	UI					
AFDC →	Work →	UI →	Work				
AFDC →	AFDC/Work →	Work →	AFDC/UI				
AFDC →	AFDC/Work →	AFDC/UI →	AFDC				
AFDC →	AFDC/Work →	UI →	Work				
AFDC →	AFDC/Work/UI →	AFDC/Work →	AFDC				
AFDC →	AFDC/UI →	AFDC/Work →	Work →	AFDC			
AFDC →	AFDC/Work →	AFDC/UI →	Work				
AFDC →	AFDC/Work →	AFDC/UI →	AFDC →	AFDC/Work →	AFDC		
AFDC →	AFDC/Work →	AFDC/UI →	AFDC				
AFDC →	AFDC/Work →	UI →	AFDC/Work				

Source: IWPR calculations based on the 1984, 1986, 1987, and 1988 Survey of Income and Program Participation.

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